

**TOWNSHIP OF LAPEER  
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION  
FOR YEAR ENDED JUNE 30, 2008**

# TOWNSHIP OF LAPEER

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	I – II
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	III – VII
<b>BASIC FINANCIAL STATEMENTS</b>	
STATEMENT OF NET ASSETS	1
STATEMENT OF ACTIVITIES	2 – 3
BALANCE SHEET – GOVERNMENTAL FUNDS	4 – 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	6 – 7
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS	8
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	9 – 17
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	18 – 24
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – CAPITAL IMPROVEMENT FUND	25
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – REVOLVING IMPROVEMENT FUND	26
<b>NOTES TO REQUIRED SUPPLEMENTAL INFORMATION</b>	27
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS	28
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS	29



**BROWN & KENT, P.C.**

**Certified Public Accountants**

951 S. Main St. • Suite 3 • Lapeer, MI • 48446 • (810) 664-4470 • Fax (810) 664-3601

## INDEPENDENT AUDITORS' REPORT

To the Board Members  
Township of Lapeer  
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, at June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lapeer's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brown & Kent, P.C.*

Certified Public Accountants

October 28, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWNSHIP OF LAPEER  
LAPEER COUNTY  
LAPEER, MICHIGAN**

**Management's Discussion and Analysis**

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components; (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

**Government-wide Financial Statements**

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

**Reporting the Township's Most Significant Funds – Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

### Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the Net Assets as of June 30, 2008.

	June 30, 2008	June 30, 2007	Increase / (Decrease)
Assets			
Current Assets	\$ 1,388,580	\$ 1,313,367	\$ 75,213
Capital Assets – Net of Depreciation	663,014	667,949	(4,935)
Total Assets	2,051,594	1,981,316	70,278
Liabilities			
Current Liabilities	67,948	87,445	(19,497)
Total Liabilities	67,948	87,445	(19,497)
Net Assets			
Invested in Capital Assets	663,014	667,949	(4,935)
Restricted	34,372	34,372	-
Unrestricted	1,286,260	1,191,550	94,710
Total Net Assets	\$ 1,983,646	\$ 1,893,871	\$ 89,775

The following table shows the changes of the net assets during the fiscal year ending June 30, 2008.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase / (Decrease)</u>
Revenue			
Program Revenues			
Charges for Services	\$ 74,911	\$ 51,801	\$ 23,110
General Revenue			
Property Taxes and Collection Fees	367,269	363,744	3,525
State Shared Revenue	347,610	348,148	(538)
Property Transfer – City	28,903	18,887	10,016
Other Revenue	99,249	131,629	(32,380)
Total Revenue	917,942	914,209	3,733
Program Expenses			
General Government	362,378	372,790	(10,412)
Health and Welfare	15,234	15,234	-
Public Safety	243,635	240,993	2,642
Public Works	197,355	246,978	(49,623)
Cemetery	9,565	15,653	(6,088)
Total Program Expenses	828,167	891,648	(63,481)
Change in Net Assets	89,775	22,561	67,214
Net Assets – Beginning of year	1,893,871	1,871,310	22,561
Net Assets – End of year	<u>\$ 1,983,646</u>	<u>\$ 1,893,871</u>	<u>\$ 89,775</u>

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$918,000, up from the prior fiscal year. There was a significant increase in charges for services, due to increases in total fire runs. Total program expenses, as reported in the Statement of Activities, totaled approximately \$828,000, down from the prior fiscal year.

### **The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 4, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$1,320,632, an increase of \$94,710 from last year. The General Fund's fund balance increased \$187,893. The Capital Improvement Fund's fund balance also showed an increase from the previous year, while the Revolving Improvement Fund's fund balance decreased, due to an operating transfer to the General Fund.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.



## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2008, the Township had \$1,049,655 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$18,574.

Land and Improvements	\$ 437,934
Buildings and Improvements	502,136
Equipment	109,585
Total Capital Assets	<u>1,049,655</u>
Less Accumulated Depreciation	386,641
Net Capital Assets	<u>\$ 663,014</u>

### **Debt Administration**

The Township has no long-term debt.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. There was an increase of \$1,653 in total revenues budgeted, while there was a \$1,653 increase in total appropriations.

### **Economic Factors and Next Year's Budget**

Because of the impact of Proposal A, the Headlee Amendment, increases in our contracts for services, uncertainty in the amount of revenue sharing from the State of Michigan and decreased interest rates from financial institutions the budget must be continually monitored.

The assessing department has also been approved to computerize every residential parcel throughout the Township over the year. Also, a large impact on the budget is the ramification of home foreclosures and with the current market conditions there is an expected rise in the number of Tax Tribunal appeals being filed. An anticipated increase in full claim appeals will raise our legal expenses in this area and could impact our revenues due to a possible decrease in assessed and taxable values.

The Township board signed a ten year contract with the City of Lapeer for fire protection services, locking a steadfast amount to be budgeted each year. Fire protection continues to be a large portion of the budget and comes from the general fund, there is no millage collected to support public safety.

The Township is also working on having dry hydrants installed throughout the Township to provide additional safety services to the residents of the Township. The grant application to install dry hydrants throughout the Township was denied leaving this project to be funded fully by the General fund.

The Township police department's equipment is aging and monies have been budgeted to replace the on board computers in their patrol cars. Unstable fuel prices will also impact the Law Enforcement budget which again, is fully supported by the General Fund.

We have started to see a slight increase in revenues coming from the 2006 signing of the Revenue Sharing Agreement (annexation). Delays in developing this area will cause increased revenues to come in slower than originally anticipated.

The Township Hall and Community Building is aging and is now over twenty years old. Maintenance of the building will continue to be addressed as needed.

The Lapeer Township Park, Recreation and Open Space Plan was completed paving the way for the project to be slowly implemented. Additional monies have been budgeted to allow for the plan to be started at the Township Hall site. Granting will be explored to assist with paying for this but would also require matching funds.

The process of updating our Master plan has begun which will be spread over a two year budget cycle. It has come to our attention that a new road may be built through section three of our Township requiring additional expenses for planning and administrative fees.

The condition of Township roads is continually monitored and addressed as our budget allows.

The state of the current economy throughout the whole country may impact us locally in unforeseen ways. It is very important for the Township administration to stay informed on laws and regulations that may impact our revenue so that we may plan for any decreases in advance of any decreases.

### **Contacting the Township's Management**

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Road, Lapeer, MI 48446.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Demand Deposits	\$ 3,149
Savings Deposits	384,365
Certificates of Deposit	200,000
Investments	666,856
Petty Cash	225
Accounts Receivable - Fire Runs	40,850
Accounts Receivable - Franchise Fees	23,779
Accounts Receivable - State Shared Revenue	54,888
Accounts Receivable - Other	9,893
Prepaid Expenditures	4,575
Total Current Assets	<u>1,388,580</u>
Capital Assets	
Land	11,593
Land Improvements, Net of Depreciation	321,913
Building and Improvements, Net of Depreciation	286,598
Equipment, Net of Depreciation	42,910
Total Capital Assets	<u>663,014</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,051,594</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 44,242
Accrued Payroll	18,728
Accrued Payroll Taxes	736
Accrued Pension	4,242
<b>TOTAL LIABILITIES</b>	<u>67,948</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	663,014
Restricted for:	
Permanent Fund - Perpetual Care Fund	34,372
Unrestricted	1,286,260
<b>TOTAL NET ASSETS</b>	<u>1,983,646</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,051,594</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

	Functions / Programs			
	Governmental Activities			
	General Government	Health and Welfare	Public Safety	Public Works
EXPENSES				
Salaries and Benefits	\$ 195,837	\$ -	\$ 90,891	\$ -
Employment Taxes	16,776	-	-	-
Professional Services	54,798	-	128,397	-
Materials and Supplies	9,807	-	8,238	-
Repairs and Maintenance	1,695	-	2,275	-
Roads	-	-	-	187,028
Recycling	-	-	-	1,215
Street Lights	-	-	-	9,037
Other Program Expenses	48,507	15,234	2,416	75
Depreciation	34,958	-	11,418	-
TOTAL EXPENSES	362,378	15,234	243,635	197,355
PROGRAM REVENUES				
Charges for Services	10,342	-	57,136	1,518
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	-	-	-	-
NET PROGRAM (EXPENSES) REVENUES	<u>\$ (352,036)</u>	<u>\$ (15,234)</u>	<u>\$ (186,499)</u>	<u>\$ (195,837)</u>
GENERAL REVENUES				
Property Taxes				
Collection Fees				
State Shared Revenue				
Property Transfer - City				
Interest Income				
Cable TV Franchise Fee				
Hall Rental				
Sale of Capital Assets				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING				
NET ASSETS - ENDING				

The accompanying notes are an integral part of the financial statements.

---

		Total	
Cemetery		Governmental	
\$	1,540	\$	288,268
	-		16,776
	6,026		189,221
	102		18,147
	-		3,970
	-		187,028
	-		1,215
	-		9,037
	1,823		68,055
	74		46,450
	<u>9,565</u>		<u>828,167</u>
	5,915		74,911
	-		-
	-		-
\$	<u>(3,650)</u>		<u>(753,256)</u>

322,032
45,237
347,610
28,903
49,040
31,169
5,075
2,415
<u>11,550</u>
<u>843,031</u>
89,775
<u>1,893,871</u>
<u>\$ 1,983,646</u>

**TOWNSHIP OF LAPEER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
<b>ASSETS</b>			
Demand Deposits	\$ 3,149	\$ -	\$ -
Savings Deposits	349,561	-	-
Certificates of Deposit	200,000	-	-
Investments	290,496	166,699	209,661
Petty Cash	225	-	-
Due from Other Funds	32	-	-
Accounts Receivable - Other	9,893	-	-
Accounts Receivable - Fire Runs	40,850	-	-
Accounts Receivable - Franchise Fees	23,779	-	-
Accounts Receivable - State Shared Revenue	54,888	-	-
Prepaid Expenses	4,575	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 977,448</u></u>	<u><u>\$ 166,699</u></u>	<u><u>\$ 209,661</u></u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 44,242	\$ -	\$ -
Accrued Expenses	23,706	-	-
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>67,948</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>			
Fund Balance			
Unreserved - Undesignated	<u>909,500</u>	<u>166,699</u>	<u>209,661</u>
<b>TOTAL FUND EQUITY</b>	<u>909,500</u>	<u>166,699</u>	<u>209,661</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 977,448</u></u>	<u><u>\$ 166,699</u></u>	<u><u>\$ 209,661</u></u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	
\$ -	\$ 3,149	Total Governmental Funds Balances	\$ 1,320,632
34,804	384,365		
-	200,000	Amounts reported for Governmental	
-	666,856	Activities in the Statement of Net	
-	225	Assets are different because:	
-	32		
-	9,893	Capital Assets used in Governmental	
-	40,850	Activities are not financial resources and,	
-	23,779	therefore, are not reported in the funds.	<u>663,014</u>
-	54,888		
-	4,575	Net Assets of Governmental Activities	<u>\$ 1,983,646</u>
<u>\$ 34,804</u>	<u>\$ 1,388,612</u>		
\$ -	\$ 44,242		
-	23,706		
32	32		
<u>32</u>	<u>67,980</u>		
34,772	1,320,632		
34,772	1,320,632		
<u>\$ 34,804</u>	<u>\$ 1,388,612</u>		



**TOWNSHIP OF LAPEER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED JUNE 30, 2008**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
REVENUES			
Taxes	\$ 367,269	\$ -	\$ -
Intergovernmental	376,513	-	-
Charges for Services	74,911	-	-
Sale of Capital Assets	3,450	-	-
Interest	34,585	5,450	8,122
Other Revenue	46,955	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	903,683	5,450	8,122
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General Government	346,681	-	-
Health and Welfare	15,234	-	-
Cemetery	13,906	-	-
Public Safety	251,090	-	-
Public Works	197,355	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	824,266	-	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	79,417	5,450	8,122
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	158,476	20,000	30,000
Operating Transfers Out	(50,000)	-	(156,755)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	108,476	20,000	(126,755)
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	187,893	25,450	(118,633)
	<hr/>	<hr/>	<hr/>
FUND BALANCE - BEGINNING	721,607	141,249	328,294
	<hr/>	<hr/>	<hr/>
FUND BALANCE - ENDING	<u>\$ 909,500</u>	<u>\$ 166,699</u>	<u>\$ 209,661</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
\$ -	\$ 367,269	Net Change in Fund Balance -	
-	376,513	Total Governmental Funds	\$ 94,710
-	74,911		
-	3,450		
883	49,040	Amounts reported for Governmental Activities in the Statement of Activities are different because:	
838	47,793		
1,721	918,976		
-	346,681	Governmental Funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeded capital outlays in the current period.	(3,900)
-	15,234		
-	13,906		
-	251,090		
-	197,355		
-	824,266	Governmental Funds report the proceeds from the sale of Capital Assets. In the Statement of Activities, only the gain on the sale of these assets is reported. This is the amount by which the proceeds exceeded the gain in the current period.	(1,035)
1,721	94,710		
-	208,476		
(1,721)	(208,476)	Change in Net Assets of Governmental Activities	\$ 89,775
(1,721)	-		
-	94,710		
34,772	1,225,922		
\$ 34,772	\$ 1,320,632		

**TOWNSHIP OF LAPEER**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2008**

	Trust and Agency Fund	Tax Collection Fund	Total Agency Funds
ASSETS			
Demand Deposits	\$ 30,900	\$ -	\$ 30,900
Delinquent Taxes Receivable	-	25,747	25,747
	<u>30,900</u>	<u>25,747</u>	<u>56,647</u>
TOTAL ASSETS	<u>\$ 30,900</u>	<u>\$ 25,747</u>	<u>\$ 56,647</u>
LIABILITIES			
Due to Others	\$ 30,900	\$ 25,747	\$ 56,647
	<u>30,900</u>	<u>25,747</u>	<u>56,647</u>
TOTAL LIABILITIES	<u>\$ 30,900</u>	<u>\$ 25,747</u>	<u>\$ 56,647</u>

The accompanying notes are an integral part of the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Township of Lapeer (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

**A. REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. BASIS OF PRESENTATION** (Continued)

**FUND FINANCIAL STATEMENTS**

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund – The Capital Improvement Fund is used to set aside monies for the future construction of governmental capital assets. When items are constructed, money is moved from this fund to the General Fund and expenditures are accounted for there.

Revolving Improvement Fund – The Revolving Improvement Fund is used to set aside monies for the future non-maintenance roadwork. When items are constructed, money is moved from this fund to the General Fund and expenditures are accounted for there.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JUNE 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING** (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other governmental fund type revenues are recognized when received.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

**E. CASH EQUIVALENTS**

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**F. INVESTMENTS**

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. INTERFUND TRANSACTIONS**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years

**I. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**J. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as "Due to/from other funds."

**K. USE OF ESTIMATES**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.



**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JUNE 30, 2008**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary–Trust and Agency Funds	Total Primary Government
Bank Deposits			
Demand Deposits	\$ 3,149	\$ 30,900	\$ 34,049
Savings Deposits	384,365	-	384,365
Certificates of Deposit	200,000	-	200,000
Total Bank Deposits	<u>587,514</u>	<u>30,900</u>	<u>618,414</u>
Investments			
MBIA Asset Management	100,578	-	100,578
Comerica	92,970	-	92,970
LaSalle Bank	473,308	-	473,308
Total Investments	<u>666,856</u>	<u>-</u>	<u>666,856</u>
Total Cash and Investments	<u>\$ 1,254,370</u>	<u>\$ 30,900</u>	<u>\$ 1,285,270</u>

The bank balance of the primary government's deposits is \$1,310,490, of which \$371,698 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

**CREDIT RISK**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

Investment	Fair Value	Rating	Rating Organization
MBIA – CLASS	\$ 100,578	AAA-V1	Fitch
Comerica – J Fund	92,970	Not Rated	N/A
LaSalle – Public Fund Investment Trust	473,308	Aaa	Moody's

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**CUSTODIAL CREDIT RISK – BANK DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$271,936 of the Township's bank balance of \$643,634 was exposed to custodial credit risk, because it was uninsured and uncollateralized.

**CUSTODIAL CREDIT RISK – INVESTMENTS**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. At year end, the Township had only 2a7-like investment pools. These pools are not categorized, because they are not evidenced by securities that exists in physical or book-entry form. The Township's investment is with the pool, not the securities that make up the pool.

**INTEREST RATE RISK**

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Township minimizes this risk by investing in liquid asset funds, money market mutual funds, shorter-term securities and similar investment pools and limiting the average maturity in accordance with the Township's investment policy.

**CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township minimizes this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**FOREIGN CURRENCY RISK**

The Township is not authorized to invest in investments which have this type of risk.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance 7-01-07	Additions	Deletions	Balance 6-30-08
Capital Assets Not Being Depreciated				
Land	\$ 11,593	\$ -	\$ -	\$ 11,593
Total Capital Assets not being Depreciated	11,593	-	-	11,593
Capital Assets being Depreciated				
Land Improvements	426,341	-	-	426,341
Building and Improvements	484,775	20,912	3,551	502,136
Equipment	108,372	21,638	20,425	109,585
Total Capital Assets being Depreciated	1,019,488	42,550	23,976	1,038,062
Less Accumulated Depreciation for				
Land Improvements	83,983	20,445	-	104,428
Building and Improvements	205,232	12,820	2,514	215,538
Equipment	73,917	13,185	20,427	66,675
Total Accumulated Depreciation	363,132	46,450	22,941	386,641
Total Capital Assets being Depreciated, Net	656,356	(3,900)	1,035	651,421
Total Government Assets, Net	<u>\$ 667,949</u>	<u>\$ (3,900)</u>	<u>\$ 1,035</u>	<u>\$ 663,014</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 34,958
Public Safety	11,418
Cemetery	74
Total Depreciation Expense	<u>\$ 46,450</u>

**NOTE 4 – PROPERTY TAXES**

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled approximately \$196,000,000, on which taxes levied consisted of 1.6072 mills for operating purposes. This resulted in approximately \$315,000 for operating purposes. An additional \$6,400 was collected by the Township for the collection of the summer taxes. This amount was recognized in the General Fund financial statements as tax revenue.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 5 – INTERFUND TRANSACTIONS**

**Operating Transfers**

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
Special Revenue -		General Fund	\$ 50,000
Capital Improvement	\$ 20,000	Special Revenue -	
Revolving Improvement	30,000	Liquor Law	842
		Disaster Contingency	1
		Revolving Improvement	156,755
		Permanent Fund -	
		Cemetery	878
General Fund	158,476		
Total	<u>\$ 208,476</u>	Total	<u>\$ 208,476</u>

**Interfund Receivables and Payables**

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 32	Permanent Fund	
		Cemetery Trust Fund	\$ 32
Total	<u>\$ 32</u>	Total	<u>\$ 32</u>

**NOTE 6 – PENSION PLAN**

The Township makes annual contributions to the Primerica Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$50,494 to the plan for the year ended June 30, 2008.

**NOTE 7 – FIRE DEPARTMENT CONTRACT**

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a standby fee of \$53,045 for the period from July 1, 2007 through June 30, 2008. The City also charges additional fees for each fire run.

The additional fees are paid by the Township of Lapeer when billed by the fire departments. The Township then bills the person who was provided the fire run service.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2008**

**NOTE 8 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS**

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the General Fund investment account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

**NOTE 9 – RISK MANAGEMENT**

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

**NOTE 10 – CONTINGENCIES**

The Township is involved in two Michigan Tax Tribunal cases involving challenges to the assessment amounts on commercial properties. If the plaintiffs were successful, there would be a partial refund. The probability of an unfavorable outcome cannot be determined, at this time. Accordingly, no accrual has been made.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES				
Property Taxes	\$ 310,020	\$ 310,020	\$ 322,032	\$ 12,012
Collection Fees and Penalties	46,000	46,000	45,237	(763)
TOTAL TAXES	356,020	356,020	367,269	11,249
INTERGOVERNMENTAL				
State Revenue Sharing	313,200	313,200	347,610	34,410
City Property Transfer	29,400	29,400	28,903	(497)
TOTAL INTERGOVERNMENTAL	342,600	342,600	376,513	33,913
CHARGES FOR SERVICES				
Cemetery	4,500	4,500	5,915	1,415
Development Fees	1,000	1,000	2,385	1,385
Business Licenses	50	50	50	-
Fire Run Fees and Fines	50,000	50,000	56,940	6,940
Penal Fines	3,500	3,500	5,433	1,933
Special Assessments	1,200	1,200	1,518	318
Special Meetings	2,600	2,600	2,670	70
TOTAL CHARGES FOR SERVICES	62,850	62,850	74,911	12,061
MISCELLANEOUS SOURCES				
Interest Earned	35,000	35,000	34,585	(415)
Township Hall Rental	3,500	3,500	5,075	1,575
Cable TV	20,000	20,000	31,169	11,169
Sale of Fixed Assets	3,500	3,500	3,450	(50)
Other Revenue	3,100	4,753	10,711	5,958
TOTAL MISCELLANEOUS SOURCES	65,100	66,753	84,990	18,237
TOTAL REVENUES	826,570	828,223	903,683	75,460

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
TRUSTEE				
Salaries	\$ 9,656	\$ 9,656	\$ 9,536	\$ 120
Health Insurance	795	795	73	722
Employers Life Insurance	1,380	1,380	1,389	(9)
Membership and Subscriptions	4,200	4,200	3,460	740
Conferences and Education	250	250	152	98
Community Promotion	275	275	200	75
TOTAL TRUSTEE	16,556	16,556	14,810	1,746
SUPERVISOR				
Salaries	25,886	25,886	25,886	-
Health Insurance	4,410	4,410	4,034	376
Employers Life Insurance	80	80	80	-
Conferences and Education	500	500	74	426
TOTAL SUPERVISOR	30,876	30,876	30,074	802
COMMITTEE				
Wages Per Diem	5,000	5,000	2,712	2,288
Conferences and Education	200	200	223	(23)
TOTAL COMMITTEE	5,200	5,200	2,935	2,265
ELECTIONS				
Wages Per Diem	6,200	6,200	3,859	2,341
Office Supplies	500	650	633	17
Professional Services	3,000	3,000	240	2,760
Publishing and Newspaper	1,000	850	41	809
Equipment and Hardware	500	500	268	232
TOTAL ELECTIONS	11,200	11,200	5,041	6,159
AUDITOR				
Professional Services	6,400	6,420	6,420	-
TOTAL AUDITOR	6,400	6,420	6,420	-
ASSESSOR				
Office Supplies	150	150	67	83
Postage and Mailings	1,400	1,425	1,421	4
Operating Supplies and Maps	9,000	8,450	275	8,175
Professional and Contract Service	32,100	32,625	32,623	2
Software	1,100	1,100	1,015	85
TOTAL ASSESSOR	43,750	43,750	35,401	8,349

See Notes to Required Supplemental Information.



**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
ATTORNEY				
Professional Services	\$ 13,850	\$ 13,850	\$ 7,668	\$ 6,182
TOTAL ATTORNEY	13,850	13,850	7,668	6,182
CLERK				
Salaries	36,480	36,480	35,980	500
Deputy	2,000	2,000	1,504	496
Health Insurance	2,500	4,500	4,458	42
Employers Life Insurance	80	80	80	-
Conferences and Education	1,500	1,500	521	979
Software	500	500	430	70
TOTAL CLERK	43,060	45,060	42,973	2,087
GENERAL OFFICE				
Hourly Wages	21,050	24,050	19,070	4,980
Employers Life Insurance	80	80	80	-
Office Supplies	2,500	2,500	1,755	745
Postage	4,250	4,250	4,250	-
Operating Supplies	1,750	2,050	1,821	229
Professional Services	3,000	3,000	1,289	1,711
Telephone	3,500	3,500	3,106	394
Conferences and Education	100	100	-	100
Publishing and Newspaper	1,500	1,500	1,020	480
Printing and Ordinances	250	250	76	174
Maintenance and Repairs	3,000	2,700	-	2,700
Miscellaneous	350	350	278	72
Hardware	3,000	3,000	459	2,541
Office Furniture and Equipment	3,000	3,000	1,870	1,130
TOTAL GENERAL OFFICE	47,330	50,330	35,074	15,256
BOARD OF REVIEW				
Wages Per Diem	1,500	1,500	1,286	214
Conferences and Education	250	250	-	250
Publishing and Newspaper	125	125	90	35
TOTAL BOARD OF REVIEW	1,875	1,875	1,376	499
TREASURER				
Salaries	27,900	27,900	27,900	-
Deputy	3,261	146	28	118
Employers Life Insurance	120	120	116	4

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
TREASURER (Continued)				
Health Insurance	\$ 2,000	\$ 300	\$ -	\$ 300
Office Supplies	600	1,100	1,073	27
County Contract Expense	200	200	58	142
Conferences and Education	1,500	1,700	2,154	(454)
Property Tax Chargebacks	500	500	178	322
Hardware	-	115	114	1
Software	750	1,750	1,685	65
TOTAL TREASURER	36,831	33,831	33,306	525
TOWNSHIP HALL GROUNDS				
Salaries	7,100	7,300	7,273	27
Operating Supplies	1,000	1,200	1,058	142
Professional Services	3,000	3,000	2,214	786
Contractual Mowing	2,000	2,000	1,070	930
Contractual Snow Removal	2,500	3,275	3,275	-
Electricity	3,700	3,700	3,388	312
Utilities - Gas and Oil	5,600	5,225	4,508	717
Maintenance and Repairs	5,000	4,800	1,695	3,105
Lease Security Systems	1,200	1,225	1,225	-
Building Improvements	20,000	19,375	16,495	2,880
Office Equipment and Furniture	500	500	-	500
TOTAL TOWNSHIP HALL GROUNDS	51,600	51,600	42,201	9,399
OTHER GENERAL GOVERNMENT				
Township Pension	51,243	57,313	50,494	6,819
Pension Administration	1,063	1,763	1,663	100
Insurance Premium	22,000	18,100	20,469	(2,369)
Township Social Security	8,763	14,841	13,596	1,245
Township Medicare	2,049	3,458	3,180	278
TOTAL OTHER GENERAL GOVERNMENT	85,118	95,475	89,402	6,073
TOTAL GENERAL GOVERNMENT	393,646	406,023	346,681	59,342
HEALTH AND WELFARE				
Ambulance	15,250	15,250	15,234	16
TOTAL HEALTH AND WELFARE	15,250	15,250	15,234	16

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
CEMETERY				
Sexton Wages	\$ 1,500	\$ 1,500	\$ 1,540	\$ (40)
Office Supplies	100	100	-	100
Operating Supplies	500	150	102	48
Professional Services	1,000	100	35	65
Contractual Mowing	8,200	8,200	5,991	2,209
Contractual Snow Removal	200	-	-	-
Opening, Closing and Foundations	3,250	1,250	550	700
Conferences and Education	100	40	-	40
Utilities	150	150	112	38
Repair and Maintenance	500	560	572	(12)
Veterans Memorial	250	600	589	11
Building and Grounds Improvements	1,000	4,415	4,415	-
Equipment	500	185	-	185
TOTAL CEMETERY	17,250	17,250	13,906	3,344
PUBLIC SAFETY				
LAW ENFORCEMENT				
Hourly Wages	77,000	78,236	77,736	500
Wages - Crossing Guard	4,500	4,500	4,259	241
Employers Life Insurance	900	900	823	77
Operating Supplies	1,000	1,100	1,164	(64)
Operating Supplies - Gas	6,000	7,000	7,073	(73)
Other Professional Services	1,500	1,775	1,765	10
Membership Subscriptions	1,200	1,200	359	841
Conferences and Education	750	-	-	-
Maintenance and Repairs	2,000	2,800	2,275	525
Equipment and Hardware	20,000	19,100	18,873	227
TOTAL LAW ENFORCEMENT	114,850	116,611	114,327	2,284
FIRE SERVICE				
Professional Services - Fire Service	175,000	124,700	102,920	21,780
Land Improvements	4,500	4,500	-	4,500
Operating Expense	400	700	659	41
TOTAL FIRE SERVICE	179,900	129,900	103,579	26,321
INSPECTION				
Prof. Services - Code Enforcement	750	750	200	550
TOTAL INSPECTION	750	750	200	550

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
PLANNING				
Wages Per Diem	\$ 9,800	\$ 9,800	\$ 7,000	\$ 2,800
Operating Supplies	100	100	-	100
Professional Services	25,000	24,400	18,520	5,880
Professional Services - Twp. Engineering	5,000	5,000	4,992	8
Membership and Subscriptions	1,000	1,600	925	675
Conferences and Education	500	500	25	475
Publishing and Newspaper	500	500	186	314
TOTAL PLANNING	41,900	41,900	31,648	10,252
ZONING				
Wages Per Diem	3,000	3,000	1,074	1,926
Conferences and Education	100	100	25	75
Publishing and Newspaper	500	500	237	263
TOTAL ZONING	3,600	3,600	1,336	2,264
TOTAL PUBLIC SAFETY	341,000	292,761	251,090	41,671
PUBLIC WORKS				
Drains at Large	800	280	75	205
Recycling	1,800	1,800	1,215	585
Roads	220,400	220,400	187,028	33,372
Street Lights	8,000	9,100	9,037	63
TOTAL PUBLIC WORKS	231,000	231,580	197,355	34,225
CONTINGENCY	25,000	11,935	-	11,935
TOTAL EXPENDITURES	1,023,146	974,799	824,266	150,533
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(196,576)	(146,576)	79,417	225,993
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	202,202	202,202	158,476	(43,726)
Operating Transfers Out	-	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	202,202	152,202	108,476	(43,726)

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,626</u>	<u>\$ 5,626</u>	\$ 187,893	<u>\$ 182,267</u>
FUND BALANCE - BEGINNING			<u>721,607</u>	
FUND BALANCE - ENDING			<u>\$ 909,500</u>	

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT FUND  
FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 5,450	\$ 450
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>5,450</u>	<u>450</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>5,450</u>	<u>450</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	25,000	20,000	(5,000)
Operating Transfers Out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>25,000</u>	<u>20,000</u>	<u>(5,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (10,000)</u>	<u>\$ 30,000</u>	25,450	<u>\$ (4,550)</u>
FUND BALANCE - BEGINNING			<u>141,249</u>	
FUND BALANCE - ENDING			<u>\$ 166,699</u>	

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVOLVING IMPROVEMENT FUND**  
**FOR YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 8,122	\$ 3,122
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>8,122</u>	<u>3,122</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>8,122</u>	<u>3,122</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	30,000	30,000	-
Operating Transfers Out	<u>(185,400)</u>	<u>(155,400)</u>	<u>(156,755)</u>	<u>(1,355)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(185,400)</u>	<u>(125,400)</u>	<u>(126,755)</u>	<u>(1,355)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (180,400)</u>	<u>\$ (120,400)</u>	(118,633)	<u>\$ 1,767</u>
FUND BALANCE - BEGINNING			<u>328,294</u>	
FUND BALANCE - ENDING			<u>\$ 209,661</u>	

See Notes to Required Supplemental Information.

## **NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**



**TOWNSHIP OF LAPEER  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
FOR YEAR ENDED JUNE 30, 2008**

**BUDGETARY INFORMATION**

The annual budget is prepared by the Township clerk, supervisor and treasurer and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a cost center basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included in the Other Supplemental Information section of the financial statements.

**EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS**

The Township had expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
NONE FOUND			

## **OTHER SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	Special Revenue Funds		Permanent Fund	Total Non-major Governmental Funds
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	
ASSETS				
Savings Deposits	\$ 300	\$ 100	\$ 34,404	\$ 34,804
TOTAL ASSETS	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,404</u>	<u>\$ 34,804</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 32	\$ 32
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	<u>300</u>	<u>100</u>	<u>34,372</u>	<u>34,772</u>
TOTAL FUND EQUITY	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,404</u>	<u>\$ 34,804</u>

**TOWNSHIP OF LAPEER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds		Permanent Fund	Total Non-major Governmental Funds
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	
REVENUES				
Miscellaneous	\$ -	\$ 838	\$ -	\$ 838
Interest	1	4	878	883
TOTAL REVENUES	<u>1</u>	<u>842</u>	<u>878</u>	<u>1,721</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1</u>	<u>842</u>	<u>878</u>	<u>1,721</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(1)</u>	<u>(842)</u>	<u>(878)</u>	<u>(1,721)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1)</u>	<u>(842)</u>	<u>(878)</u>	<u>(1,721)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE - BEGINNING	<u>300</u>	<u>100</u>	<u>34,372</u>	<u>34,772</u>
FUND BALANCE - ENDING	<u><u>\$ 300</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ 34,372</u></u>	<u><u>\$ 34,772</u></u>



**BROWN & KENT, P.C.**

**Certified Public Accountants**

951 S. Main St. • Suite 3 • Lapeer, MI • 48446 • (810) 664-4470 • Fax (810) 664-3601

---

October 28, 2008

To The Board  
Township of Lapeer  
1500 Morris Rd  
Lapeer, MI 48446

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Lapeer are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board and management of the Township of Lapeer and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Brown & Kent, P.C.*

Certified Public Accountants

To the Board  
Township of Lapeer  
Lapeer, MI 48446

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be control deficiencies or material weaknesses, as defined above.

We consider the following deficiency to be a significant deficiency in internal control:

**Preparation of full-disclosure GAAP financial statements.**

**Requirement:** All Michigan governmental units are required to prepare financial statements in accordance with generally accept accounting principles (GAAP). This is the responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

**Condition:** The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

*Effect:* The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate that as required by professional standards.

This communication is intended solely for the information and use of management, the Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. Please contact us, if you have any questions regarding these or any other matters.

*Brown & Kent, P.C.*

Certified Public Accountants

October 28, 2008